

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1921-11
Bill No.: Truly Agreed to and Finally Passed CCS for HCS for SCS for SB 675
Subject: Bonds-General Obligation and Revenue; Taxation and Revenue - General
Type: Original
Date: June 11, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	Greater than \$11,163,165	(\$580,000)	(\$580,000)
Total Estimated Net Effect on General Revenue Fund	Greater than \$11,163,165	(\$580,000)	(\$580,000)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Various	(Greater than \$1,791,693)	\$0	\$0
School Building Revolving	(\$7,878,347)	\$0	\$0
State School Moneys	\$0	\$0	\$0
Insurance Dedicated	(At least \$6,015,855)	\$0	\$0
Highway Patrol Traffic Records	\$580,000	\$580,000	\$580,000
Total Estimated Net Effect on Other State Funds	(Greater than \$15,105,895)	\$580,000	\$580,000

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 12 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
School Districts	\$7,878,347 to Unknown	Unknown	Unknown

FISCAL ANALYSIS

ASSUMPTION

Proposed §33.080.2 (Interest Sweep)

Officials from the **Department of Agriculture, Department of Health and Senior Services, Department of Labor and Industrial Relations, Department of Social Services, Missouri State Highway Patrol** and the **Missouri Tax Commission** assume the proposal would have no fiscal impact on their agencies.

Officials from the **Department of Mental Health (DMH)** state this section of the proposal designates that interest earned on various funds for the period of time July 1, 2001, to June 30, 2003, be transferred to General Revenue. DMH notes the fund included which will cause an impact to DMH is the Mental Health Housing Trust Fund (MHHTF). DMH calculates interest of \$300 for the MHHTF by using the actual amount for fiscal year 2002 and the estimated amount for fiscal year 2003. DMH further notes: 1) this amount reflects interest earned and not the balance of unexpended interest and 2) this fund is also included in the State cost allocation charge-backs resulting in a portion of the interest earned already being utilized for this purpose.

Officials of the **Office of the State Public Defender** estimated that \$11,500 would be transferred from the Legal Defense and Defender Fund to the General Revenue Fund.

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ASSUMPTION (continued)

Officials from the **Missouri Gaming Commission (MGC)** project this section of the proposal would transfer \$5,000 of interest to General Revenue which is based on the actual revenue earned in the Missouri Breeders Fund during the period July 1, 2001, through April 30, 2003 and

an estimate of interest to be earned during May – June 2003. MGC notes no interest accrued in the Bingo Fund because that fund is inactive. MGC further notes the Bingo Fund has no cash, no revenue source and no appropriations.

Officials from the **Department of Economic Development (DED)** state this section of the proposal would sweep funds (interest earned) from various agency funds for the last two fiscal years. DED estimates \$385,314 would be transferred to General Revenue and notes the following:

- The Property Reuse Fund is a revolving fund which is used to receive and redistribute funds as well as interest earned from funds that sit in the fund for a short period of time. The possibility exists that interest earned over the last two years may not be available for transfer at some points in time. All Property Reuse Funds have been committed to projects (including prior interest earned) and may be disbursed in FY 2003. If this were the case, the funding would not be available to pay the \$ 183,154.55 interest earned for FY 02 and FY 03 to date (\$142,276.49 in FY 02 and \$40,878.06 for FY 03 to date). In addition, funding has already been swept from this fund during FY 02 and FY 03 to address deficits in state funding.
- The Endowed Care Cemetery Fund earned \$8,382.65 in FY02 and is estimated to earn \$6,913.04 in FY03. TOTAL: \$15,296.
- The Finance Fund earned \$68,747 in FY02 and is estimated to earn \$37,496 in FY03. TOTAL: \$106,243. This would likely result in an increase of assessments to all entities paying into the fund.
- The Residential Mortgage Broker Fund earned \$26,463 in FY02 and is estimated to earn \$17,258 in FY03. TOTAL: \$43,721. This would likely result in an increase of assessments to all entities paying into the fund.
- The Savings and Loan Supervision Fund earned \$2,103 in FY02 and is estimated to earn \$2,170 in FY03. TOTAL: \$4,273. This would likely result in an increase of assessments to all entities paying into the fund.

ASSUMPTION (continued)

- The Credit Union Fund earned \$20,916 in FY02 and is estimated to earn \$11,710 in FY03. TOTAL: \$32,626. This would likely result in an increase of assessments to all entities paying into the fund.

Officials from the **Department of Transportation (MoDOT)** state this section of the proposal would transfer the interest earned on two MoDOT funds during fiscal years 2002 and 2003 into the General Revenue fund, effective July 1, 2003. MoDOT states the funds affected by the proposal are the State Transportation Assistance Revolving (STAR) Fund (\$12,000) and the Aviation Trust Fund (\$449,000). MoDOT states this section of the proposal would decrease the amount of funds available for local transportation and aviation projects by approximately \$461,000.

Officials from the **Department of Natural Resources (DNR)** assume the fiscal years' 2002 and 2003 interest earnings from the following funds will be transferred to General Revenue on June 30, 2003, or earlier: Hazardous Waste Remedial Fund, Coal Mined Land Reclamation Fund, Metallic Minerals Waste Management Fund, Mined Land Reclamation Fund, Missouri Air Emission Reduction Fund, Missouri Air Pollution Control Fund, Natural Resources Protection Fund - Asbestos, Natural Resources Protection Fund - Air Pollution Permit Fee and Safe Drinking Water Fund. DNR projects the sum of interest earnings for these funds for FY 02 and 03 is approximately \$1.600,000. DNR states there would be a corresponding reduction in services resulting from the loss of funds.

Officials from the **Office of Administration – Division of Budget and Planning (BAP)** state this provision of the proposal could increase General Revenue. BAP also notes it could also create statutory conflicts and/or negatively impact services provided by these funds. BAP assumes the interest transfers to General Revenue would result in an unknown impact.

Officials from the **State Treasurer's Office (STO)** provided the amount of interest earned for the 23 funds listed in this subsection of the proposal for the period July 1, 2001, through May 23, 2003. STO reports interest accruals of \$1,791,693.28 as of that date.

Since the proposal specifies that interest accruals from July 1, 2001, through June 30, 2003 would be transferred **Oversight** is indicating the fiscal impact to General Revenue as "greater

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than” \$1,791,693.

ASSUMPTION (continued)

Proposed §33.080.3 (Fund Transfers)

The proposal would transfer \$6,000 from the State Fair Fees Fund, \$77,617 from the Petroleum Inspection Fund, \$250,000 from the Department of Revenue Information Fund, \$102,000 from the Secretary of State's Technology Trust Fund, and \$3,500,000 from the Administrative Trust Fund to the General Revenue Fund.

Officials of the **Office of Administration - Division of Budget and Planning** note that current law requires the unencumbered balance in the Revolving Administrative Trust Fund at the end of a fiscal year which exceeds one-twelfth of the appropriation to the Fund be transferred to the General Revenue Fund and that the Fund does not retain any interest. The legislature appropriated \$120,155,009 to the Fund for FY 2003. The current cash balance in the Fund is \$6,700,000, which is below the \$10,012,917 threshold for transferring excess to the General Revenue Fund.

Officials suggest that sweeping more than one-half of the cash balance of the Administrative Trust Fund might result in late payments to vendors. This could cause late payment penalties and increase in charges to other state agencies.

Proposed §166.300 (School Building Revolving Fund)

Officials from the **Department of Elementary and Secondary Education (DES)** state moving money from the School Building Revolving Fund (SBRF) to the State School Moneys Fund eliminates money that could eventually be used by school districts for facilities. DES officials note the amount of funds in the SBRF isn't enough for buildings, therefore, the funds could better help fund the foundation formula. DES states the balance in the SBRF as of 05/02/03, is \$7,868,759. (The Treasurer gave a balance of \$7,878,347 as of May 23, 2003)

Oversight notes school districts will no longer be able to apply for loans from SBRF. **Oversight** further notes no loans have been made from the SBRF to date.

Proposed §339.105 (Disputed Escrow Monies)

Officials from the **State Treasurer's Office (STO)** assume no fiscal impact.

ASSUMPTION (continued)

Proposed §374.150 (Insurance Dedicated Fund)

Officials from the **Department of Insurance (MDI)** estimate the fund balance as of 06/30/03, to be \$10,937,918. MDI notes to estimate the fund balance, they used current fund balance, year-to-date expenditures and transfers and estimated May and June revenues and costs (based on the previous two years). MDI calculates 55% of this balance would result in a transfer of \$6,015,855 from the Insurance Dedicated Fund to General Revenue.

Proposed §43.252 (Highway Patrol Traffic Records Fund)

Officials from the **Missouri State Highway Patrol (MHP)** estimate that the MHP handles approximately 58,000 requests per year at an average charge of \$10 per request. **Oversight** notes that these funds are currently credited to the General Revenue Fund.

FISCAL IMPACT - State Government

FY 2004

FY 2005

FY 2006

GENERAL REVENUEIncome – Transfers In From Various
State Funds (§33.080.2)Greater than
\$1,791,693

\$0

\$0

Income – Transfers In From Various
State Funds (§33.080.3)

\$3,935,617

\$0

\$0

Income – Transfer In from Insurance
Dedicated Fund (§374.150)At least
\$6,015,855

\$0

\$0

Loss - Highway Patrol Record Check
Fees

(\$580,000)

(\$580,000)

(\$580,000)

**ESTIMATED NET EFFECT ON
GENERAL REVENUE****Greater than**
\$11,163,165**(\$580,000)****(\$580,000)****VARIOUS STATE FUNDS**Costs – Transfers Out to General
Revenue (§33.080)¹**(Greater than**
\$1,791,693)**\$0****\$0**

¹ Funds listed in *Proposed §33.080.2* include: (1) Residential mortgage licensing fund; (2) Gaming commission bingo fund; (3) Missouri air emission reduction fund; (4) Mental health housing trust fund; (5) Division of credit unions fund; (6) Division of savings and loan supervision fund; (7) Division of finance fund; (8) Natural resources protection fund with the exception of the water permit fees subaccount and damages subaccount; (9) Endowed care cemetery audit fund; (10) Metallic minerals waste management fund; (11) Natural resources protection air pollution asbestos fee subaccount fund; (12) Chemical emergency preparedness fund; (13) Legal defense and defender fund; (14) Safe drinking water fund; (15) Coal mine land reclamation fund; (16) Missouri horse racing commission fund; (17) Hazardous waste remedial fund; (18) Missouri air pollution control fund; (19) Property reuse fund; (20) State transportation assistance revolving fund; (21) Correctional substance abuse earnings fund; (22) Mined land reclamation fund; and (26) Aviation trust fund.

² Funds listed in *Proposed §33.080.3* include: (1) State Fair Fees Fund; (2) Petroleum Inspection Fund; (3) Department of Revenue Information Fund; (4) Secretary of State's Technology Trust Fund; and (5) Administrative Trust Fund.

<u>FISCAL IMPACT - State Government</u>	FY 2004	FY 2005	FY 2006
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SCHOOL BUILDING REVOLVING FUND

<u>Income</u> – Forfeiture of Assets (<i>§166.300</i>)	Unknown	Unknown	Unknown
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<u>Costs</u> – Transfer Out to State School Moneys Fund (<i>§166.300</i>)	<u>(\$7,878,347 to Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON
SCHOOL BUILDING REVOLVING
FUND**

<u><u>(\$7,878,347)</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
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STATE SCHOOL MONEYS FUND

<u>Income</u> – Transfer In From School Building Revolving Fund (<i>§166.300</i>)	\$7,878,347 to Unknown	Unknown	Unknown
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<u>Costs</u> – Increased Distributions to School Districts (<i>§166.300</i>)	<u>(\$7,878,347 to Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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**ESTIMATED NET EFFECT ON
 STATE SCHOOL MONEYS FUND**

\$0

\$0

\$0

INSURANCE DEDICATED FUND

Costs – Transfer Out to General Revenue
 Fund (\$374.150)

**At least
 (\$6,015,855)**

\$0

\$0

**HIGHWAY PATROL TRAFFIC
 RECORDS**

Income - Missouri State Highway Patrol
 Copying fees

\$580,000

\$580,000

\$580,000

**ESTIMATED NET EFFECT ON
 HIGHWAY PATROL TRAFFIC
 RECORDS FUND**

\$580,000

\$580,000

\$580,000

FISCAL IMPACT - Local Government

FY 2004

FY 2005

FY 2006

SCHOOL DISTRICTS

Income – Increased Distributions From
 State School Moneys Fund (\$166.300)

**\$7,878,347 to
 Unknown**

Unknown

Unknown

FISCAL IMPACT - Small Business

Certain small businesses might pay higher assessment fees to state funds as a result of this proposal.

DESCRIPTION

Proposed §33.080 (Interest Sweep)

Notwithstanding any provision of law to the contrary, an amount equal to the sum of all interest that has accrued in the funds listed in subdivisions (1) to (23) of this subsection during the two-year period beginning July 1, 2001, and ending June 30, 2003, shall be transferred and placed to the credit of the general revenue fund of the state by the state treasurer upon the

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effective date of this proposal.

DESCRIPTION (continued)

Proposed §166.300 (School Building Revolving Fund)

This proposal directs any unobligated cash balance in the School Building Revolving Fund as of August 28, 2003 to the foundation formula. Any and all deposits made to the School Building Revolving Fund after August 28, 2003, shall be immediately transferred to the State School Moneys Fund.

Proposed §339.105 (Disputed Escrow Monies)

Requires real estate brokers holding funds belonging to another party in a real estate transaction to maintain the funds in a separate account designated as an escrow or trust account. Brokers may not commingle their own personal funds or any other moneys in this account with the exception that a broker may deposit an amount not to exceed \$1,000 specifically identified for the purpose of covering service charges related to the account. When brokers decide not to maintain an escrow account, they must notify the commission. If they decide to open an escrow account, they must notify the commission within 10 business days of doing so. In the case of disputes regarding ownership of escrow moneys, the funds must be deposited with the State Treasurer within 365 days of the original deposit.

Proposed §374.150 (Insurance Dedicated Fund)

Notwithstanding the provisions of this section to the contrary, fifty-five percent (55%) of the balance in the Department of Insurance Dedicated Fund as of the effective date of this act or \$6,015, 855, whichever is greater, shall be subject to an immediate one-time transfer to the state general revenue fund.

Proposed §43.252 (Highway Patrol Traffic Records Fund)

This section would establish the Highway Patrol Traffic Records Fund in the state treasury to account for all moneys received by the Highway Patrol for copying of reports, photographs, and other related materials.

This proposal contains an effective date (January 1, 2004) for section 339.105.

This proposal is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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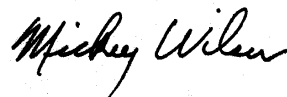
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SOURCES OF INFORMATION

Department of Health and Senior Services
Department of Labor and Industrial Relations
Department of Social Services
Department of Economic Development
Missouri State Highway Patrol
Missouri Tax Commission
Missouri Gaming Commission
Office of the State Public Defender
Department of Mental Health
Department of Transportation
Department of Natural Resources
Office of Administration – Budget and Planning
State Treasurer’s Office
Department of Elementary and Secondary Education
Department of Insurance
Department of Agriculture

A handwritten signature in black ink that reads "Mickey Wilson". The signature is fluid and cursive, with the first name "Mickey" and last name "Wilson" clearly distinguishable.

Mickey Wilson, CPA

Director

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